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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

S&L VITAMINS, INC., Plaintiff/Counterclaim Defendant, v. AUSTRALIAN GOLD, INC., Defendant/Counterclaim Plaintiff.	05 CV 1217 (JS)(ML)
AUSTRALIAN GOLD, INC., Third Party Plaintiff, v. LARRY SAGARIN AND JOHN DOES, 1-10, Third Party Defendants.	

MEMORANDUM OF LAW IN SUPPORT OF AUSTRALIAN GOLD'S MOTION FOR LEAVE TO AMEND ITS ANSWER TO ADD COUNTERCLAIMS, AND AMEND ITS THIRD-PARTY COMPLAINT

Defendant/Third-party plaintiff Australian Gold, Inc. submits this Memorandum of Law in Support of Its Motion To Amend Its Answer, Counterclaims and Third-Party

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Complaint, along with the accompanying Proposed Second Amended Answer, Affirmative And Other Defenses, Amended Counterclaims And Amended Third-Party Complaint,[1/] in support of its Motion for the Court's leave to amend the Answer to add an additional counterclaim and cause of action to its Third-Party Complaint against S&L Vitamins, Inc. and Larry Sagarin ("Sagarin"), respectively. Australian Gold now seeks leave to amend to assert a single cause of action for copyright infringement in its counterclaims and third-party complaint because it believes that S&L Vitamins and Sagarin, among other things, copied Australian Gold's copyrighted work and publicly distributed and disseminated infringing copies of Australian Gold's copyrighted work, including on the Internet. Australian Gold did not include these claims in its initial pleadings and first amended pleadings because it did not obtain the copyrights for the Australian Gold products until approximately the time that it filed its first Amended Answer with Counterclaims and first Amended Third-Party Complaint.[2/]

We have contacted S&L Vitamins and Sagarin's counsel who informed us that their clients do not consent to this amendment.

1/ A copy of the Proposed Second Amended Answer, Affirmative And Other Defenses, Amended Counterclaims And Amended Third-Party Complaint is annexed to the accompanying Notice of Motion as Exhibit A.

2/ The deadline to amend pleadings and/or add parties pursuant to the Case Management Plan is November 30, 2005.

I. Background

S&L Vitamins does business on the internet at www.thesupplenet.com (and www.bodysourceonline.com, which merely redirects web browsers to www.thesupplenet.com) and at two (2) retail locations in and around Lindenhurst and Miller Place, New York under the name Body Source.

Upon information and belief, S&L Vitamins sells Australian Gold products to members of the general public on the internet and/or at its retail outlets causing damage to Australian Gold's distribution system and the reputation and goodwill of the products and the company.

Australian Gold is the manufacturer and exclusive distributor of Australian Gold®, Caribbean Gold® and Swedish Beauty® tanning lotions and other premium tanning related products.

Upon information and belief, Larry Sagarin is the owner of S&L Vitamins and has direct responsibility and oversight with respect to S&L Vitamins' purchase and sale of Australian Gold's products on the internet and at its retail stores.

Upon information and belief, S&L Vitamins, and/or its owners, own, operate, control, manage or represent at least one retail tanning salon. This tanning salon(s) is used as a vehicle in which to acquire Australian Gold products and resell them over the internet.

Australian Gold owns or is the licensee of registered and common law trademarks for the Australian Gold®, Swedish Beauty® and Caribbean Gold® brand names and the tanning lotions sold under those brands. Australian Gold also owns the copyrights to all pictures, artwork and commentary of the products displayed on its websites.

Australian Gold maintains internet websites at www.australiangold.com, www.swedishbeauty.com, and www.cgtan.com (collectively "Websites"). Australian Gold does not sell products to the general public on the Websites. The products are displayed on the Websites for informational purposes so that consumers interested may learn about the use and benefits of the products. Consumers may then visit their local tanning salon where they will receive personal consultation and instruction on use of the appropriate product for their skin type and tanning objectives.

A. Procedural History

On March 4, 2005, S&L Vitamins filed a complaint against Australian Gold, Inc. seeking, among other things, declaratory judgment that its conduct does not constitute violations of the Lanham Act or tortious interference with Australian Gold's distributorship agreements (the "Complaint"). On May 20, 2005, Australian Gold answered the Complaint and asserted various counterclaims against S&L Vitamins for trademark infringement, violations of the Lanham Act, Trademark dilution, tortious interference with contract and tortious interference with prospective economic advantage. Four days later Australian Gold filed a Third-Party Complaint against Sagarin for the same causes of action asserted in its Counterclaims.

On June 30, 2005, S&L Vitamins and Sagarin moved to dismiss Australian Gold's Counterclaims and Third-Party Complaint. On July 28, 2005, in lieu of responding to S&L Vitamins' motion to dismiss, Australian Gold amended its Answer, Counterclaims and Third-Party Complaint to include additional facts that it had discovered since its original filing.[3/] In response, on August 18, 2005, S&L Vitamins and Sagarin answered the Amended Counterclaims and Amended Third-Party Complaint and moved to dismiss both the Amended Counterclaims and Amended Third-Party Complaint. S&L Vitamins also moved for declaratory judgment on the pleadings that its conduct does not constitute violations of the Lanham Act or tortious interference with Australian Gold's distributorship agreements.

Australian Gold now seeks leave to amend its Answer, Counterclaims and Third-Party Complaint to include a single cause of action of copyright infringement.

II. Applicable Law

Pursuant to Fed. R. Civ. P. 15(a), leave to amend an answer "shall be freely given . . . ." Fed. R. Civ. P. 15(a). It is well settled that a court should "allow[ ] the amendment absent a showing by the non-moving party of bad faith or undue prejudice." Anthony v. City of NY, 339 F.3d 129, 138 n.5 (2d Cir. 2003); see also Mooney v. City of NY, 219 F.3d 123, 127 n.2 (2d Cir. 2000); Cortigiano v. Oceanview Manor Home For Adults, 227 F.R.D. 194, 201 (E.D.N.Y. 2005).

III. Application

Australian Gold is the exclusive owner of all of the copyrights for the labels of its products, including the federally registered copyrights ("Copyrighted Work"). Australian Gold believes that S&L Vitamins and Sagarin copied Australian Gold's Copyrighted Work and publicly distributed and disseminated infringing copies of the Copyrighted Works, including on the Internet. To the extent S&L Vitamins and Sagarin have not directly infringed Australian Gold's exclusive rights with respect to the Copyrighted

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[3/] Although S&L Vitamins had moved to dismiss, a motion to dismiss does not constitute a responsive pleading under Rule 15(a); therefore, Australian Gold was entitled to amend its counterclaims and third-party complaint as of right. *Taylor v. Abate*, 1995 WL 362488, *1 (E.D.N.Y. 1995).

Works, Australian Gold believes that S&L Vitamins and Sagarin induced, caused and or materially contributed to the direct acts of infringement with knowledge of the infringing activity.

Here, the parties have yet to engage in discovery.[4/] Indeed, S&L Vitamins and Sagarin only answered Australian Gold's Counterclaims and Third-Party Complaint on August 18, 2005. At this early stage, S&L Vitamins and Sagarin would not be unduly prejudiced by the proposed amendments. In the event Australian Gold amends its Answer and Third-Party Complaint, the parties would not have to repeat any discovery. Australian Gold does not seek to assert the proposed counterclaim in bad faith, nor would the claim cause undue prejudice. See Anthony, 339 F. 3d at 138 n.5. Similarly, the proposed third-party claim would also not be raised in bad faith and would not cause undue delay or undue prejudice. Id.

The copyrights for the labels of the Australian Gold products are annexed to Australian Gold's Answer, Affirmative And Other Defenses And Amended Counterclaims and Amended Third Party Complaint as Exhibit B. These documents demonstrate that that the proposed amended counterclaim, and amended third-party claim are meritorious.

Finally, Australian Gold did not deliberately delay filing its motion for leave amend. Australian Gold's original pleadings did not include these claims because it did not have the necessary copyrights at the time. Further, Australian Gold only obtained the copyrights for the Australian Gold products on or about the time that it filed its first Amended Answer with Counterclaims and first Amended Third-Party Complaint.

4/ The parties have only exchanged initial disclosures.

For the foregoing reasons, the Court should grant Australian Gold leave to amend and permit it to file its Second Amended Answer, Affirmative And Other Defenses, Amended Counterclaims and Amended Third-Party Complaint. Further, the Court should order Australian Gold's Second Amended Answer, Affirmative And Other Defenses, Amended Counterclaims and Amended Third-Party Complaint deemed file on the date of the Court's order granting such leave.

Dated: New York, New York
August 24, 2005

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